Ontario - Hydro-Electric
Inquiry Commission
1922-2c

J. A. Ross.

[Evidence]

HYDRO ELECTRICAL INQUIRY COMMISSION.

TORONTO, OCTOBER 6th, 1922.

NIPIGON SYSTEM.

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HYDRO ELECTRIC INQUIRY COMMISSION

Parliament Buildings, Toronto,

6th October, 1922.

NIPIGON SYSTEM

PRESENT:

W. D. GREGORY, Chairman

M. J. HANEY, Commissioner

LLOYD HARRIS, "

J. A. ROSS, "

R. A. ROSS, "

J. H. W. BOWERS, Secretary

F. W. WEGENAST, Legal Adviser.

SIR ADAM BECK,)
HON. I. B. LUCAS) Representing the Hydro-Electric
F. A. GABY) Power Commission.
W. W. POPE)

W. W. POPE, Secretary, Hydro-Electric Power Commission --
Examined.

THE CHAIRMAN: On the 28th of last month Mr. Pope the Secretary of the Commission wrote you as follows:

"By direction from the Hydro-Electric Inquiry Commission, I now advise you that a public hearing will be held in the Parliament Buildings, Toronto, on Tuesday, October 3rd, at 10 o'clock in the forenoon. The hearing will deal solely with the operating economics of the Thunder Bay System, and matters directly related thereto.

"matters which will be more directly under discussion are those contained in the report recently submitted to the Commission by your Chief Engineer, and the Auditor's report setting forth the financial condition of the system as at October 31st, 1921, etc.etc."

Q--Did you receive that letter ?

A--Yes, sir.

Q--Sir Adam advised us you did not notify him of the letter and of the request that the members of the Commission be present.

SIR ADAM BECK: Excuse me, Mr. Chairman, what I said was, was that I was not aware that this Commission was sitting until I returned on Monday night.

THE CHAIRMAN: Yes. Sir Adam said he wasn't notified.

SIR ADAM BECK: I wasn't in the city till Monday night.

THE CHAIRMAN: Q--Did you not notify any members of the Commission ?

A--There were no members in the city to notify.

Q--What about Col. Carmichael? They don't need to be in the city. If they were out of the city wasn't that all the more reason why they should be notified ?

A--I tried to get in communication with the Colonel, and was told that he was not at his home in Collingwood, that he was away from there.

Q--Did you notify Sir Adam Beck ? A--I did as soon as he got into the office. I showed him the letter as soon as he got into the office.

Q--When was that ? A--Monday, I think.

Q--That was the first notice he would get? A--Yes,sir.

Q--You didn't even acknowledge the receipt of the letter?

A--Yes, sir. I acknowledged the letter and said I would lay it before the Board as soon as I could get them together.

Q--Did you give the Secretary the information asked for,

"matters which will be more directly under discussion are those contained in the report recently submitted to the Commission by your Chief Engineer, and the auditor's report setting forth financial condition of the system as of October 31st, 1921, etc.,etc."

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as to who would appear? A--I didn't know who would be selected to go, I couldn't select them.

Q--Was there anybody there who could answer the inquiry?

A--That is a matter for the Commission, as to who would be selected.

Q--Aren't you the Secretary of the Commission?

A--Yes, sir, but I am not the Commission.

Q--No, but did your Commission not give you any information? A--I didn't have an opportunity to consult the Commission.

Q--Did you know who were coming ? A--No, sir, I did not.

THE CHAIRMAN: We have received a great deal of help from your Engineering and Accounting staffs in our investigation, but here Sir Adam Beck came the other day and spoke as if he had been taken by surprise in the matter.

SIR ADAM BECK: I simply explained that it wasn't quite fair that I should ask the Board of Arbitrators on the Toronto Railway Arbitration, a very important body with a voluminous amount of work before them, and I representing the City, to adjourn for that day. I should think it would be rather an insult that I should ask them, on such notice, to adjourn their sitting so that I could appear before this Board.

THE CHAIRMAN: We know what a busy man you are, Sir Adam, and that is why we sent the notice the week before.

SIR ADAM BECK: I don't think it is ample time, knowing that we are more or less bocked up ahead.

THE CHAIRMAN: We took all the steps that we reasonably could to give ample notice.

SIR ADAM BECK: I hope the Board doesn't infer that our officials are negligent in meeting your wishes, in any way.

THE CHAIRMAN: We have found them, Sir Adam, very obliging and very helpful, but not in this case.,

SIR ADAM BECK: I think, in an important matter like this, we might have had notice earlier. We had made our arrangements. I couldn't make arrangements until the Board met on Tuesday. Had I been advised on Friday night I might have been able to have made different arrangements. We have to confer with Counsel on those matters. They have adjourned today to enable me to come here.

THE CHAIRMAN: That is all, Mr. Pope.

SIR ADAM BECK: - Examined.

THE CHAIRMAN: Q--Sir Adam, we have had two statements, from Mr. Clarkson the auditor, and from Mr. Gaby, as to the deficit in connection with the Nipigon operation. What plan has the Commission for meeting this?

A--Well, I cannot say that we have any other plan than that of deferring the charges that are placed against the operation of the Nipigon development by the auditor of the Commission, such as rentals, sinking funds and depreciation.

Q--You have deferred the sinking fund already have you not? A--Well, it was a matter of policy. We do defer sinking fund charges. I don't know whether there is special provision made. In many cases there is a deferring of depreciation charges, and also sinking fund charges. That applies to the Trent district operated on behalf of the Government by the Hydro-Electric Power Commission. We have, I believe, ten years deferred sinking fund charges in that case.

Q--I think, under that development, you have deferred the sinking fund, and that you have power, under the Statute, to defer it for five years, isn't that it ? A--Yes.

Q--But in the Nipigon system, where 40-year debentures

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Q--I think, under that development, you have deferred the sinking fund, and that you have power, under the Statute, to defer it for five years, isn't that it? A--Yes.

Q--But in the Niagara system, where 40-year debentures

have been provided for, we are advised that there is no legal right to defer payment of the sinking fund ?

A--I wasn't aware there were 40-year debentures issued in connection with the Nipigon. I understood all these moneys were acquired on short date loans, not earmarked. There are no earmarked bonds sold by the Government that I know of.

Q--You have provided a sinking fund each year to provide for repayment of the moneys advanced, and you have the right to defer them, but we are advised that, in the case of the Nipigon, there was a difference perhaps made, and that the sinking fund charges should not be deferred, that 40-year debentures were issued. Did you ever have a legal opinion taken on that question ?

A--I am not saying legally we have power to defer any of these things. We have always carried on the affairs of the Commission in a businesslike way, in a way that an ordinary business would be conducted. When we were without power, as we were in many cases, the Act couldn't meet all contingencies, and these remedies were brought about by legislation from time to time, or Orders-in-Council if the Government had authority, enabling us to carry on the work in a business way.

Q--The question as to whether or not you had a legal right is what I am asking ? A--You asked me a specific question there, whether we have or not, whether or not we had taken legal opinion .

Q--Yes, whether or not you had taken any legal opinion on it. A--I would like the Board to understand that, so far as the Commission is concerned, my associates and myself, are quite convinced that the period of bonded debt on these bonds should cover at least fifty years. Now, I am not arguing your powers of today. There is a

peculiar condition existing here entirely the cause of the Government of the Province of Ontario.

Q--Perhaps we had better deal with this part first ?

A--I must be allowed to deal with it in part, as I am able to.

Q--Then you are through answering our question ?

A--I am trying to answer that.

Q--But in the case of the Nipigon, in the statement which you furnish to us, no provision whatever has been made for sinking fund. Have you taken any legal opinion as to whether or not you have the right to defer sinking fund in the Nipigon case ? A--No. I know this much, Mr. Chairman, that when the revenue isn't sufficient to pay it there is only one of two ways of doing it, and that is, either paying it out of revenue, and when revenue is short then we must charge it. It is a matter of book-keeping. You cannot get blood out of a stone any more than you can get money to pay interest charges when the business doesn't produce it.

Q--How do you propose to meet the deficit in the Nipigon case ? A--I will be very glad to go into that fully. I have been always informed that there were no bonds issued that were earmarked Hydro bonds. The idea, in an undertaking of this kind, that the pioneer municipalities should be penalized in paying, in the cost of power, a sinking fund that would retire the undertaking in thirty years is absolutely absurd, so far as the power development is concerned.

Q--That is the way the law stands at the present time?

A--It should be fifty years.

Q--How do you propose to meet this deficit, out of what fund? A--I will go into that very fully.

Q--The system may be all wrong but, at the present time,

There is an actual deficit, and is there any fund in your possession out of which that can be paid ? A--Yes.

Q--What is that ? A--The Province of Ontario which is primarily responsible, in the fact that there isn't business there today.

Q--And you look to the Province to provide enough money to meet any shortages at the present time ?

A--On what ?

Q--In connection with the operation of the Nipigon system?

A--On what basis ?

Q--On any basis ? A- What charges do you cover ?

Q--All the charges. You have certain charges, and certain revenue, and you have a certain deficit ?

A--That is where we differ. I would eliminate entirely the sinking fund charges.

Q--You have done that already ? A--The depreciation charges, and the rental, don't amount to anything, and I would merely make an effort at this time to take care of the interest charges on the money. We have precedent for that in the operation of the Hydro system.

Q--But under the law, as it now stands, you cannot do that ? A--Wait. Under the law I am then establishing a precedent, where the Province of Ontario did do it. We built the line to Windsor, warning the Government that there would be a deficit, warning the Government that the revenue was not there and that the business was not there, but a few hundred h.p. available to take care of a million dollars of an investment. The Government said to go on, we will carry the interest charges on that. The Government didn't ask if we had legal authority, they would provide legal authority if necessary. In the second year of our operation we took care of it, we had the authority to take care of it.

Q--What was done with that deficit ?

A--That deficit was wiped out the second year. In the third year, not only did we meet our interest charges after two or three years' operation but we wiped out the deficit. The municipalities were practically responsible. They knew there would be a deficit, but in thre years we took tare of the deficit, and last year there was an excess profit and a 25 per cent reduction in the price of power to the people, besides taking care of all the charges.

Q--What you propose in the Nipigon case is that the Government shall take care of the deficits for the time being ? A--The Government is responsible, morally responsible for the deficit on account of the operation of that plant, owing to the fact that we were definitely directed to provide power for this pulp company, to meet the demand of the pulp that would be sold from time to time by the Government. The Government directed us to install a plant sufficient to take care of this company's business, making available 75,000 horsepower ultimately. They must have had in mind, as any Government would, this enormous area of not only timber but minerals that could not be offered for sale to the same advantage, and by which they would get as good a price for power for this timber, for this pulpwood, if power was available to all tenderers, therefore, I say the Government is morally responsible.

Q--And the Government should assume that responsibility for paying any deficit. A--The difference between the revenue and the interest that is accruing, at whatever rate they fix,- and I am going to deal with that rate question of 5 per cent in a minute --

Q--But, in the meantime, do you think the Government should pay any shortage there may be? A--I say they are morally responsible.

Q--And that they should pay it ? A--It is a matter of policy on their part.

Q--Whether they are legally responsible or not ?

A--The City of Port Arthur has met all its obligations. The City of Port Arthur today has a revenue sufficient to take care of $25 power, and does have a fair and reasonable surplus in the operation of their system. They were not told that they were required to pay $5. The estimate was in the neighborhood of $20, and that is all they are paying in the meantime.

Q--That is all they are paying in the meantime?

A--Yes, but they are able to pay the $25, and if we insist on it they will pay the $25, but that $5 is essential to make up a part of the loss, because we are only assessing them such additional amount as we know they can take care of, and with the contracts which they have within their own municipality, with the revenue on account of those contracts, and the business they have, they will have sufficient surplus.

Q--I understood from Mr. Gaby the other day-- and Mr.Gaby will correct me if I am wrong -- that Port Arthur has a surplus of $50,000 ? A--Yes, that is why we fixed $5.

Q--Why shouldn't they pay the $5? A--But they will pay it. However, I think the Government is responsible for that, morally responsible for the fact of its costing $25.

Q--That is a question, of course, to which there may be two sides. You may be right, Sir Adam, and you may be wrong?

A--I am not censuring any Government, those political differences these Governments have as to who is responsible, that is a matter for them to decide. We have nothing to do with that. I don't intend to infer which Government is responsible. I say the Government of Ontario is.

Q--What we are more directly concerned with is the present

condition as we find it ? A--And to get a solution.

Q--And we want you to help out in any way you can, and by any suggestion or suggestions you may care to offer, in arriving at a solution ? A--I am going to give you the benefit of all I know, to enable you to arrive at a solution.

Q--You take a certain ground that the Government should carry the present deficit, because it is morally if not legally liable for it ? A--Absolutely, that is the difference in what we actually require to provide in the way of moneys to take take care of such charges as are essential in the operation of that business. You know, Mr. Chairman and members of the Board that there is no undertaking of this kind, where you must make an enormous expenditure to provide for future requirements, such as the Chippewa, or all the other developments, where you can tell what the demand for horsepower will be in the future, and a 75,000 horsepower development is a mere bagatelle of what that district up there will ultimately require. That is my humble opinion.

The City of Port Arthur is bound, by agreement, to take care of the whole of the deficit, and the City of Port William, up to the present time, is not liable for a dollar.

Q--Not till 1926 ? A--Will not be liable till 1926, and I am very glad to see Mr. Morris representing the city of Port William as its solicitor, fearful of what it may cost the city of Port William four years hence in the way of power prices to make up the cost of power. We have some reason to censure Port William for what they did in preventing the Commission from securing a market of four or five thousand horsepower per annum which would have given us a revenue of $100,000 or $150,000 per annum. That was unwise and unfair to the city of Port Arthur, and to themselves.

Q--How was that done ? A--We had an agreement with an Elevator Company practically signed and executed in our possession for some two or three thousand horsepower, and we had prospects of several other elevators.

Q--Where were the elevators ? A--In Fort William, within the municipality. We have a legal right to supply those companies in that municipality. The city took strong ground against our putting poles on their streets and thus supplying this company. They had their good reasons, I don't know what they were, but reasons which I felt were not justified, because some day the poles must be put there, and if we could put those poles there, and have those users pay for them in the meantime, to build up their business and accommodate their industries I thought we were doing some good. We had the material ready to begin the construction when we were advised that the city would cut down the poles if we dared erect them. That meant a legal controversy and something which, of course, we do not believe in, but it would mean a long delay, and those contracts with those elevators were expiring. Wheat was to be pouring in, in a very short time, into their elevators, and they couldn't wait. The contracts would be cancelled automatically. The contract they were obliged to make was not as favourable as the one we offered them, and, therefore, it is the city fathers of the city of Fort William who are responsible for this company having to make a contract, for a 5-year term, I believe, unless favourable terms than we had offered them, and we were deprived of that business, and also deprived of over $100,000 of revenue per annum, which would have taken care of this enormous thousand dollars a day deficit that we see on the headlines of the Press, all due to the optimism of the Hydro Commission. The might have said the Chairman, probably, although we disclaim

any responsibility for it, under the lamentable conditions which exist.

Q--You consider the conditions lamentable at the present time ? A--Yes, it is lamentable that we should be put in the position we are in today, a position that we have never been in before, when we had the ways and means to help ourselves.

Q--You spoke just now of the desirability of extending the time? A--I mean the lamentable statement made to the Press which, if it were a private concern, and having the publicity that this has had, going out to the public, might affect their credit. If the proper method is adopted, a business method, of dealing with this matter, there will be a loss to the Province which, I maintain, they are justly entitled to assume, on account of the conditions that exist today, and for which they are responsible.

Q--I just want to ask you a question that you raised just now, that is, about the bonds ?

A--Mr. Morris has appealed to the Commission here and says that he thinks the Provinne should assume the loss on account of the operation of this power plant until a loan is secured by the municipalities, or by the increased business in the municipalities, but that until then the Government should assume the loss. I want to say that the Commission has made every effort to obtain the increased loan. The Nipigon Pulp & Paper Company was a customer that we expected would take 10,000 H.P. and I believe if the company is reorganized they will want double the quantity of power, because they must have double the capacity of output.

Q--What company are you speaking of now ?

A--The Nipigon Fibre & Paper Company.

Q--That has nothing to dowith Fort William ?

A--I am just saying that we did get business. We have been getting business, but the fact of those companies not going on with this development at Nipigon is caused not only through the fault of the Government but because of the depressed condition of the paper industry the world over. We all know that.

Q--We will come to that presently ? A--And the Nipigon Company has gone into liquidation because of those conditions, but we haven't lost hope, and I think we deserve some credit for protecting the investment, securing ourselves against any loss we may sustain on account of the construction of that line.

Q--Didn't your bond cover the amount for the year ending on the 31st October? A--We demanded and secured $40,000.

Q--Yes, but didn't your bond cover the amount payable for the year ending on the 31st October, last year? According to your statement, they owed you $42,000 at that time, and the bond was for $40,000, so that you were secured to the extent of $40,000, but you have no security whatever for this year ?

A--Well, the service, of course, is discontinued, but the bonds that we ask for in those cases are merely to cover the actual money we spend on account of the construction. In matters of business, where you sell power, you must come in with the other creditors, I suppose .

Q--Yes, but when you got a bond for last year why didn't you get a bond for this year?

A--The one bond covers the expenditure we made there.

Q--But you only secured a bond for $40,000, and the amount due was $42,000 ?

A--We discontinued the supply.

Q--You have no security. You made a claim against them

this year, according to Mr. Gaby, of $54,000, and there is no security for that? A--That is 75 per cent, I suppose, of the contract quantities.

Q--You have no security for that ? A--No, we come in as a creditor.

Q--Are you aware that the company does not own the land, buildings, or the plant; they are in the hands of certain creditors, or the plant is, and the creditors hold it as security, and that after them come in the debenture-holders, so that you may not get 5 cents on the dollar out of it? A--I daresay we won't. We have had other losses in the same way, and we took them. Take the Toronto Power Company, we find customers defaulting in the Niagara district. We are losing lots of money there on account of their customers defaulting.

HON. MR. LUCAS: There are no outstanding bonds or debentures in connection with the Nipigon, Fibre & Paper Company.

THE CHAIRMAN: But the property has been held by certain creditors as security for their claims.

SIR ADAM BECK: They will get out of paying their creditors if they can.

THE CHAIRMAN: Q--Sir Adam, there is just one remark you made just now, that I want you to go into a little further. You said that you thought the time for repayment of the actual cost for certain parts of the undertaking should be made longer than 30 or 40 years, perhaps 50 years?

A--It should be 50 or more.

Q--What did you refer to ? A--The plant.

Q--The building of the dam, for instance ? A--Yes.

Q--You wouldn't have that apply to the transmission lines?

A--I think we have advanced the art so far --

Q--On what ground do you propose an extension of the time in connection with this, on the ground that they are not liable to depreciation as some other plant would be?

A--No, we provide for the depreciation. We provide for depreciation and renewal to an extent that we can justify it, which we have done in all these undertakings. We felt we must be safe in the original undertaking, and have a certain reserve. We have had twelve years experience now in the operation of those plants, and we can tell pretty accurately the depreciation that should be set aside for this purpose. We have many municipalities out of debt. They are not only paying off the debt in 20, 10, 15 or 30 years, but they are setting aside a fund that will buy an entirely new plant, or build an entirely new plant, within 15 or 20 years.

Q--The Statute now provides for 30 years, that the money must be provided for sinking fund during that period, and you will extend that period? A--I would issue the bonds of the undertaking for not less than 50 years.

Q--That is for certain parts? A--Where we cannot justify the price, where you have to give a low price to get the business, in order to build up a load, where an enormous expenditure is made, to meet the payments of the first ten years, then there would be no reason why we shouldn't eliminate the sinking fund charges. It is done in the Central Ontario district, it is done in all business enterprises.

Q--Under the present statute you may defer sinking funds for five years. Would you extend that to ten years?

A--Yes, I would make forty annual payments which would be 1 per cent to eliminate the investment, and spread it over 50.

Q--Would that be forty annual payments from the time of

construction, or forty annual payments beginning at a certain time after construction.

A--I don't know. Mr. Chairman, I am being interrupted in my thought, I have got to go back, and I am repeating myself.

Q--We are dealing just with this subject. You suggested that sinking fund should be extended. That is a very important matter, and we would like to have your opinion on that, to find out whether we should make any recommendation for changing the matter? A--I have already said, in the case of the Nipigon, or any similar undertaking, I would eliminate depreciation and sinking fund, and even in the case of the Government, where they are morally bound, the rental that we hear something about.

Q--For what period ? A--Until it is self-sustaining.

Q--That would be an indefinite period ? A--No, I would say five or ten years, I think the natural growth. You must remember, and bear in mind, this fact: That when we began this work we believed that there was an amount of ten or twelve to fifteen thousand h.p. available, that was in existence, or rather for the company that was in existence, but that has been absorbed since unbeknown to us, at least we had no knowledge it would be, therefore, there is a shortage, and the natural consequence is, I care not who develops the pulp in that district, or who secures the present company,- the present company may default again; they have defaulted once before in carrying out their agreement, but no matter who takes that power, there is only one source of supply, and that is the Nipigon. As I say, that company may default.

Q--Let us complete your statement about those bonds. We shall have to make some definite recommendation, and we would like you to be as definite as possible in giving us your view ? A--I am most anxious to help you.

Q--I understand from you that you would spread it over a period of 50 years? A--Absolutely. Wherever it can be justified -- take the Chippewa work, for instance -- I would spread that over a period of 50 years.

Q--And you would have the 50 years begin at what date?

A--Well, if power revenue is sufficient to make 45 payments which would reduce it below 1 per cent, then make it 45 years, but I cannot see any reason why it shouldn't be spread over 40 years.

Q--That is what you would suggest? A--As I say, I see no reason why it should not be spread over 40 years. Thirty annual payments set aside would be 1.8 per cent. Here they will have the cheapest power in any development that we are operating today in the thirteen districts. That will be ultimately the cheapest power, and there is no reason in the world why the last 30 years in the use of that power should not be chargeable in the way of retiring the debt at 1.8 per cent.

Q--Some plants might provide revenue immediately they begin operation? A--Well, I don't see why.

Q--Others might take longer ? A--You will not be using the full capacity, and power will be dearer, but I do not see why the original municipalities and users, paying the cost of all that on the small quantity of power used should be penalized and asked to retire a debt in 20, or 30 or 40 years, especially when the plant has a life of 100 years.

Q--There will have to be a specific time mentioned, Sir Adam? A--Make it broad enough so that a Government can use its own judgment in those matters.

Q--Would you make it a matter of an agreement between the Commission and the Government ?

A--There should be power vested in somebody to use

ordinary business discretion -- and Governments are always ready to acquiesce and change an Act, which is a very simple matter, to make it applicable to the conditions under which we operate.

Q--If the Act is changed it will have to be for a definite period, and you think the time might be extended ?

A--I say the time should be extended.

Q--Actually 50 years, say, from the date of construction ?

A--50 years or more, there is no reason why we shouldn't. You do not hear of the C.P.R. or any other big undertaking retiring its bonded debt, ever.

Q--They very often retire bonded debts and have them replaced by other bonded debts. A--Yes, re-financing or consolidating.

Q--Would you then leave it entirely to the Government to extend the time ? A--No. I say it would be perfectly businesslike, especially if the development or undertaking has a life of 100 years, to set the period at 50 years, or even more. I expect the Chippewa Canal to be there in as good order and as well maintained in a hundred years from now as it is today. Why should those municipalities pay that up in 20 or 30 years ?

Q--Well, then, you would give the Government power to fix the time ? A--Let them fix the time on each development.

Q--According to the circumstances of each case ?

A--I don't think you could change it when you once fix it. The Chippewa Canal is the most efficient that we can conceive there. You can only draw so many feet of head, and so on, and that canal should be in as good condition, if properly maintained, a hundred years from now. In that case, there would be no objection at all to making the term 50 years, because you can refinance later on.

Q--In the case of a wood power line, that would be different ? A--No, we haven't got a wood power line in existence.

Q--Take the transmission line ? A--Or a wooden pole on the street.

Q--You have those on the Nipigon system? A--Most corporations charge all those things to Maintenance. We insist on a renewal fund, and there will be a renewal fund to take care of those things.

Q--Yes, to renew them, but the money put up to build them in the first instance? A--I think it shouldn't be less than 30 years.

Q--Shouldn't it be for a shorter period than 30 years in the case of wooden poles ? A--Well, poles is about all it applies to. Copper, steel and iron, and concrete, all those things have a longer life than 50 years, but a wood pole, that is a very small item in the construction of a $6,000,000 plant. We have either a maintenance or a renewal fund to replace those poles as they become ready for replacement.

Q--You would put the moneys spent on the poles in a different class than money spent on say, for instance, the Chippewa Canal ? A--You can do it on Capital Account, but I don't think that is necessary. We have a renewal fund that will remove that pole in 12 or 15 years, when we anticipate, from experience, that it might be affected sufficient to be removed.

Q--The life of a pole is what, from 10 to 15 years?

A--We have poles that I think will be there for 20 years.

Q--But the average life ? A--Not the average. It is a small municipality or rural pole that will probably require displacement in 10 or 15 years, and we have a renewal fund for that purpose which we draw on.

Q--I mean the capital cost ? A--The capital cost has nothing to do with it. When we have a fund that will replace a pole in 10 years, or 15 years, we have provided for that.

Q--Then that would mean that, in the meantime, the money that will have to be paid out in repayment of interest and principal borrowed would have to be met by the Province at large ? A--I didn't say it ought to be.

Q--It would have to be if the undertaking itself didn't provide it ? A--We haven't had a case of that kind yet.

Q--You were suggesting that this be deferred, and that the interest rate on this may be deferred some time ?

A--The sinking fund, I said, should be spread over a longer period, because the users of power, when the development is used to its capacity, will be better able to pay the sinking fund than at the inception of an undertaking of this kind, because those customers that are on now are paying sufficient in the price of power to meet the different costs that make up the cost of power --

Q--Yes, but in the meantime, Sir Adam ?

A--And for that reason, the Government has, from time to time, passed legislation.

Q--I understand from you that, in some undertakings, they should defer the interest charges as well ?

A--No, I say nothing of the kind. While we might have to carry out a deficit, as we did in the Windsor line, for a year or two, we did do it arbitrarily on the authority of the Government.

Q--And there are circumstances in which the Government would have to carry it, because the people who hold the bonds have to be paid and someone has to pay them?

A--As a matter of fact, we have surplus earnings,

and the Commission have taken care of those small matters, with which we charge the municipality interest, and compound it from time to time, and ultimately that money has been repaid.

Q--Now, the interest on the Nipigon development amounts to between $400,000 and $500,000 a year ?

A--It depends upon the rate we fix.

Q--And we are told by your officials that you haven't got sufficient money to pay that. Now, that would mean that the Government would have to carry it for you in the meantime?

A--No. I think the Government is morally bound to assume that out and out altogether.

Q--Assume it, and pay it out of what ?

A--Out of the Treasury of the Province of Ontario.

Q--Not defer it, pay it themselves ? A--The interest. I said that should be deferred, or might be deferred, that was this 5 per cent as against 6½ per cent, and perhaps it would be well to discuss that now.

Q--We will come to that in a moment? A--That affects the amount that would be necessary to meet --

Q--If you put it at the lower rate you are not going to get enough to meet it this year?

A--No. In the year past, I think there is or would be a deficit.

Q--I just want to be clear on this. Do you propose that the Government should pay that, and then the undertaking should pay it back later when its revenues increase, or that the Government should pay it once and for all and not have any further recourse against the Commission?

A--I think they should pay it until they make business that will give us sifficient revenue to meet the interest charges.

Q--Then if your revenue is sufficient to meet the

current interest charges, and to pay this back interest that the Government has advanced, would you pay that to the Government then, or would you consider it a closed account and the Government have no recourse against the Commission for it, that is, the interest at the present time? In other words, would you hold it in suspense account, so that when the revenue from the system is sufficient to meet the interest later it would be paid back to the Government ? A--No, I wouldn't penal ize the municipalities of Port Arthur and Fort William for an accrued interest that would not have prevailed if this company had been compelled to carry out the agreement they had, and in default would have been compelled to take power from the Commission, but that isn't our affair. Our affair is this, that we were directed to spend this money, and the rates estimated and given to Port Arthur were based on the assurance that there would be a customer there from whom we would get a revenue that would take care of the interest charges and give them power at approximately $20.

Q--I am not speaking of the rates, but I understand you to say that the Government should pay this deficit, and that they should have no further recourse against the Commission at all? A--Until there is sufficient business, or the amount of business that we anticipated we would have had at its inception. Port Arthur is quite able to meet the obligations they have assumed.

Q--If the time comes and the undertaking was able to carry the interest charges itself, would the Government have any recourse against the Commission, or would they not?

A--No. If this Fibre Company goes on there will, of course, be an increased business in Port Arthur. There are two large mills being constructed at the present time,

and we anticipate Port Arthur will be using 15,000 horse-power after this year, instead of 700.

Q--Yes, we have had your estimates? A--Well, I don't worry much about those detail figures, but I know that the mills are being constructed, and the business is going to be there. There may be a further slump in pulp, and everybody will go into liquidation. Those are the chances we take in any municipality. We have had a case where a large mill used 250 h.p., and the rest of the municipality's demands was 10 h.p., and when that mill burned down there was a serious condition in that municipality. The fortunate part was that other municipalities absorbed the power, but the municipality itself has to assume the responsibility of the investment there on account of transmission but, as I have said many times before, we have never had a defaulting municipality.

Q--Last year the Government rendered you a bill, or rendered the Commission a bill, for interest at 6.5 per cent, and the amount had been settled between the Government and the Commission but, in paying that, you made your interest for 5 per cent for last year. Why did you do that ? A--Well, the original estimate that we gave the pulp companies was based on 4½ per cent.

Q--What do you mean by pulp companies ? A--Well, the lessees of the Black Sturgeon, and the municipalities, were all based on 4½ per cent. The increased cost of the Nipigon, of course, is brought about because of the war.

I didn't intend going into a controversy with the Prime Minister of the Government, but as you have asked me I am going to tell you how it came about, as nearly as I can recollect it and I feel quite convinced that I am accurate in what I say.

These estimates were based on 4½ per cent originally by the engineers of the Commission, money advanced for material during the interim. The money, I believe, cost the Government 6.2 or 6.3 or something like that.

(Interruption)

I cannot go on talking with those interruptions, Mr. Chairman. I am very sorry, but I am nervous, and I wish there could be some arrangement made so that I could go on connectedly with my story.

THE CHAIRMAN: I am asking you to go on.

SIR ADAM BECK: The Secretary is reaching forward. It might not be interrupting other people, but it interrupts me. I will do the best I can under the circumstances.

The Commission were called before the Government to consider this matter, that is, ways and means of reducing the cost of power so that this company could continue. They made an excuse that they could not proceed with the construction of these mills and secure the money unless they got cheaper power so as to enable them to compete with other mills in that district.

Q--You are speaking of the Great Lakes Company ?

A--Yes. We appeared before the Government and we had conferences with the Prime Minister, Mr. Gaby, Mr. Pope and myself, advising him just how we might make some concession and have power cheaper for the company, if the Government could see its way clear to reduce the interest charges to 5 per cent, or fix it at 5 per cent for such a number of years as it would be equalized by the reduction in interest rates in the future.

Mr. Clarkson, I think, in his evidence the other day said his own opinion would be that in a period of ten years money will become sufficiently cheap to take care of the difference between the 5 and the 6.2. Within ten years that

would equalize the rate, so thatwe could have it at 5 per cent. It just means this, that the Government would have to carry the difference between the 5 and 6½ or 6.2, charge interest for it, compound if if you like, but ultimately the power user would have to take care of that interest charge. Now, that is all that was ever intended in recommending the 5 per cent interest charge.

It was considered, and the Prime Minister appeared to me favourable. Mr. Clarkson could concur. Mr. Clarkson was consulted, and he seemed to be very positive that it was a proper thing to do, to spread this high interest, which is another result of the war, that the Government was obliged to pay on short term borrowings, either by note or by bank, in the sale of short date bonds, that the Government would be justified in fixing a rate of 5 per cent, not as a grant or a bonus but as deferred interest charges. It is as broad as it is long. It would have to be carried anyway, or the municipalities charged for and pay out of the Treasury of the Municipality.

Q--What was actually said at the time ?

A--It was a general discussion. I haven't got a memory to that extent, but it was explained fully. It was explained fully to the auditors, and they concurred, and then finally at a meeting held in which we were present, and members of the Government, the companies were told in the presence of the Government that if this 5 per cent interest was made available in the interim we could give them power at a certain price. The Treasurer didn't happen to be present. The Treasurer was sent for, and he appeared. Mr. Clarkson was there. Mr. Gaby was there, Mr. Pope was there and I was there. Col. Carmichael, I think, was there, and the Government, in a general way, led me to

would equalize the rate, so money could have it at 4 instead. It just means this, that the Government would have to carry the difference between the 3 and 4½ or 5.5, which I referred to it, supposing it is you like, at differential the same over what would have to be borne of that interest

[illegible]

In our consideration, are the Prime Minister expecting to be forwardly. Mr. Gladstone really account. Mr. Gladstone was convinced, and he proved to be very positive that it was a proper thing to do, he proved this high interest. Looks to another length of the war, that the Government was obliged to pay a great deal borrowing, either by loan or by bond in the nature of money into bonds, that the Government would be [illegible] a rate of 4 per cent, not as great as some but as different rates of interest. It is the great as it is long. It would also [illegible]

will pay out of the Treasury of the Dominion?

Question was actually paid at the time?

A--It was a general discussion. I haven't got a memory to that extent, but it was explained fully. It was explained fully to the auditors, and they understood, and upon finally at a meeting held in which to give evidence members of the Government, [illegible] the presentation of the Government was it that's [illegible] that was made publicly in the interim as well, so that power at a certain price. The Government didn't depend to be [illegible]. The Treasurer was well [illegible] [illegible] [illegible] [illegible]. Q. Why was there, Mr. [illegible] [illegible] over and I was that. Col. Cunningham: I think was [illegible] and the Government, in a general way, and to [illegible]

believe that we were to have 5 per cent money, but the Government has a perfect right to see some other way of dealing with it, or to insist upon the 6.2. There was nothing binding. In the meantime, with the full knowledge of the Government, we have been only accrediting them at the rate of 5 per cent. The Treasury Department has known it, and we have never heard any exception taken to it.

Q--Are you sure about that, Sir Adam? When was this ?

A--I don't know at all.

Q--When was this interview? A--It must be within a year.

Q--We were told yesterday it was January,1920?

A--It was since then.

MR. GABY: It was sometime in 1920.

THE CHAIRMAN: When was it, Mr. Alstead, January 1920 ?

MR. ALSTEAD: In the early part of 1920.

SIR ADAM BECK: I think Mr. Alstead was there.

THE CHAIRMAN: Q- Early in 1920, and then do you say you paid the rate at 5 per cent ?

A--We didn't pay it, we hadn't any money to pay it with. It was merely a matter of book-keeping.

Q--You gave them a cheque ? A--We may in the inception, or during construction.

Q--You gave them cheques ? A--Because that way during the construction period. That was on the basis of 5 per cent, not 6.2.

Q--Are you surprised to know that you didn't pay them 5 per cent, you paid them the full rate they fixed, 6 or 7?

A--I wouldn't be surprised at all, not during construction.

Q--No, after operation ? A--I am not surprised at anything. I cannot keep track of a hundred thousand items in detail, as Chairman of the Commission, and I wouldn't expect anybody else to do it.

Q--I understood you to say that the arrangement was that you were to pay 5 per cent?

A--When we began operation; it would not be proper during construction. I think the municipalities should take care of their portion of the 6½ during construction. It was not intended as a bonus or a grant, it was merely intended as waiving the full interest charges, spreading it over 5 or 10 years, as Mr. Clarkson said he believed it would be eliminated by the Government having available 4½ or 4 per cent money. We have had 3.80 and 3.90 when we paid 4 per cent to the Government.

Q--Are you aware that you paid interest nearly a year after, that you didn't pay them 5 per cent ?

A--Not after we began operation, no.

Q--You paid them at the rate they rendered on the statement ?

A--I would assume that it was proper to charge the 6½ during construction, and that if the Government would eventually pass legislation, or whatever power they required to make possible the 5 per cent, then we were charged 5 per cent --

Q--Are you not aware too that the rate is practically fixed by Statute ?

A--I know all those things.

Q--And that no one in the Government had any power to change it at all? A--Yes, if we had had power we would have gone to the Government and asked them to pass an Order in Council, and if we had had had the power we would have exercised it. With the concurrence of our auditor we would have spread that over a period of 5, 10 or 15 years and fixed it at 5 per cent. I do not say the Government is bound by it, but I say I understood that the Government was going to make it possible for us to get 5 per cent money.

Q--But it didn't make it possible? A--Therefore, we cannot charge it, we must go back to the 6½, absolutely. It is immaterial whether the Government assumes it under the suggestion I have made, but I think they are morally bound to do it. It is very much better for the Government if the Government finally should decide to assume the interest charges that accrue over and above what we are able to pay out of revenue, then it will be much easier for the Government to have 5 per cent during that period instead of 6.2. Do you get me, Mr. Chairman ?

Q--Yes. You said just now, Sir Adam, that during the time of actual construction you paid the higher rate ?

A--I don't know whether we did or not but it would be quite proper to charge it. I am not the accountant or the book-keeper. I look to the Government auditors and to the auditors of the Hydro to see that those things are properly looked after. They are the only protection I have , and to see that people don't steal money incidentally.

Q--It was charged by the Government and paid by the Commission, and then last October you put in a claim to the Government to pay back the difference between 5 per cent and 6.2 or 6.5, or whatever it may have been ?

A--I have no recollection of these things.

Q--And in making up your annual statement you credit yourself with $40,000 in that account? A--Yes, because I understood, and I think the auditor understood and our organization understood, it would be 5 per cent. There was no agreement about it. If the Government didn't want to do it or make it possible to enable them to do it, that was their affair. Nobody has stolen anything or misappropriated anything. If we misappropriated the money that might be a bone of contention, but when it is a matter of book-keeping, a matter of local power, and the power is

made available, then there is only one thing to do, and that is for the auditor to act absolutely and charge what the Government says is the actual cost of the money to them for the ensuing year. I mean, if we cannot get the authority from the Government to charge the rate, as I have suggested.

Q--I notice in a statement by Mr. Gaby to yourself, Sir Adam, given in 1917, he says that to take care of 30,000 h.p., etc. etc. a capital expenditure of approximately $4,419,000 would be necessary. I further find, after careful investigation, etc. etc.--?

So that Mr. Gaby evidently estimated 6 per cent, Sir Adam?

A--Well, I suppose he could have estimated that probably it would be 7 or 8 per cent when the time came, or 5 per cent. That is a matter of opinion, a matter of judgment. Thank goodness in all our estimates we have erred on the side of being too high rather than too low, so you must give us credit.

Q--So that is rather the exception than the rule in the Nipigon case ? A--Well, of course, if you single out one where conditions were extraordinary, why, you have got it there. I don't see why you should single out that one. Thousands of estimates have been prepared, all higher than the actual cost.

Q--I just mention it because we are dealing with Nipigon at the present time ? A--Well, all right, Mr. Chairman.

Q--We had before us the other day Mr. Alstead representing the Great Lakes? A--Just a moment. You all understand, in connection with the 5 per cent, that there was no idea of the Government giving us money at a price lower than what it would cost them. The suggestion was to spread it over a certain number of years.

Q--I understand your contention, Sir Adam?

A--Well, that was very very carefully explained, and I know that Mr. Gaby, Mr. Pope and I had nothing else in mind in presenting the matter to the Government, and it was entirely because efforts were being made all round to get more business.

Q--You have heard what the Treasurer said, that there was no arrangement of this kind?

A--Men who have large responsibilities , and who have such a diversity of things submitted to them every day, are apt to forget, or apt to misunderstand. It might have been the proper thing to have done at the time to have written them and called attention to what occurred the day before and have it confirmed. I have been a member of the Government, and we never did those things in that way. We talked this matter over. There was no agreement committing the Government to this and, as I say, it is simply a matter of book-keeping, and if the Government insist why, then, we will have to pay the 6½ or 6⅓, whatever it may be.

Q--Sir Adam, regarding this contract with the Great Lakes, I would like to hear from you about that, the previous contract, how was it that was not consummated. The agreement was drawn up and there seems to have be n very little between you? A--Why, we have got a letter from Mr. Alstead in which he accepts that contract. That is all I know about it, it was agreeable to him. Wasn't it, Mr. Gaby ?

MR. GABY: Except some minor points.

SIR ADAM BECK: Except some minor points, but the matter of dollars and cents, and the general terms of the contract, were accepted by the company, or acceptable to them, and if they didn't accept it we cannot force

them to.

Q--But they say they have been anxious all the time?

A--Yes, they were very much more anxious, as the letter of Mr.Kilmer to the Government shows, that the only purpose was to kill time.

Q--They say they will enter into an agreement at any time ?

A--I know they do, but I say we have a right to take the word or statement of Counsel of the Government. We have got it here somewhere.

Q--They say they will proceed at once with the erection of the plant if they can only get an agreement from you?

A--And I suppose we will not enter into an agreement with them whatever. I have no doubt they will, if we sell them power below cost.

Q--Was there any difference between you as to cost, didn't you agree as to cost? A--No. Of course, at that time, we could have delivered it at that price and met our obligatio You surely do not ask the pulp mills and paper mills, and the city of Port Arthur, to pay one price, and this company, who decide on its own location somewhere else -- they might have gone to Winnipeg and decide on a location there -- give them a price on a location that they wanted, They wanted the same price at Mission as at Bear Point and, as I say, you surely would not want us to have the pulp and paper mills paying one price and this company paying another price, or rather getting the power at the same price as the city of Port Arthur and the pulp and paper mills, on their new location with an additional capital expenditure necessary to go to the Mission site. You cannot discriminate, Mr. Chairman, and this Commission has never been accused of discriminating or being unfair in anything relating to the sale of power. You may, for a time, give a company some benefit that ultimately they will pay for in

Q--But they say they have been working all the time?

A--Yes. They were very much more anxious, on the latter of the Milner to the Government group, that the only matter [illegible]

Q--Do you say they will enter into an agreement at any time?

A--I know they do, but I say we have a right to the word or statement of Council of the Government. We have got it here somewhere.

Q--Then you say they will proceed at once with the erection of the plant if they can only get a return out from you?

A--No. I suppose we will not enter into an agreement with them whatever. I have no doubt they will, if we will give power below cost.

Q--Are there any differences between you as to cost, which you appear to cost? A--No. Of course, I think I, we could have delivered at a that price and not on [illegible] You merely do not get the pulp mills and paper mills, and the city of Port Arthur, to say -- [illegible] who decide on the own location [illegible] -- they might have gone to Wabigoon and decide on a location there -- give them a price on a location that they decide. They wanted the same price at Nipigon as at Port Arthur, is I see. You merely could not want to have the pulp and paper mills pay one price and this company paying another price, or another getting the power at the same price as the city of Port Arthur and the pulp and paper mills. [illegible] location with an additional [illegible] transmission, to go to the Nipigon side. You cannot discriminate, Mr. Chairman, and this Commission has never been [illegible] of discriminating or be a [illegible] in anything relating to the sale of power. You see, for a time, [illegible] a [illegible] that [illegible] they will say for it

the use of power, to get a load, as any business would to get business, but such a thing as making others pay for something else that somebody else is to get below cost has never prevailed in the carrying on of the Hydro enterprise.

Q--We did not ask you to fix any price, we didn't ask you that, but we understand that those people are ready to go on , and we are trying to get at the bottom and find out just what is between you ?

A--Yes, but in the meantime their time for construction has been extended enormously. They were bound in 1920, I think it was, to have that mill in operation.

Q--Oh, not at all? A--Counsel says so.

Q--You are quite mistaken ? A--Mr. Kilmer, the gentleman who wrote the letter, has a reputation, Mr. Chairman, and he was Government Counsel, and I suppose a man whose advice was then considered good, and if he told me that this company had no right whatever to those leases, and that their lease could be cancelled because they were not developing then I would accept his statement. Now, why a new agreement if the old was good ? They have a now agreement now that gives them legal rights.

Q--This is a feature of the situation that strikes us: You want to sell power, they possibly want to buy power ?

A--So they say.

Q--And there seems to be some difference between you which prevents the consummation of that. They say if you will only make an agreement with them they will spend five and a half million dollars, they will employ 600 men, and we understand their differences which, so far as we have been able to ascertain, should be the subject of an honourable and satisfactory compromise. We want to know just what the differences are between you which prevent

(Referred to on page 693 herein)

Honorable N. C. Nixon,

Provincial Secretary,

Parliament Buildings,

TORONTO.

Dear Sir:-

Yours of December 1st to hand, enclosing a copy of a resolution passed by the Municipality of Fort William, under date of November 25th.

The Mayor of Ft. William, Mr. Murphy; Mr. Morris, City Solicitor Ft. William; and Hon. Mr. Mills, Minister of Mines, saw the Commission's Chief Engineer on the 24th of November, respecting the rates to be charged. Pursuant to the interview had with those gentlemen, they were advised that the price of power to the Great Lakes Paper Company would be the same if supplied at either of the locations suggested.

The price having been practically disposed of, the Commission have no jurisdiction respecting the location of the work, that being a matter resting with the Contractors.

Yours very truly,

(Sgd) A. Beck,

CHAIRMAN.

(Hydro File EM-1401)

this agreement being made ?

A--Mr. Chairman, the difference is simply this: We have dealt with this company in every way possible, in a serious and honest way, and we have spent a great deal of time and money of the Province of Ontario in negotiations, and we have been humbugged.

Q--By whom ? A--By this company.

Q--In what way ? A--Just as Mr. Kilmer says. They humbugged the Government by wanting this and expecting that, demanding something else, and simply making the statement "We are ready to go on", and it all amounts to this, getting power below cost. That is all they want. They decided to locate at a place where it will take hundreds of thousands of dollars to get to them, and they have the nerve to ask those municipalities to pay the difference in cost , in what it will cost and what they ought to pay.

Q--Sir Adam, where do you mean they want to go to, to the Mission site ? A--I don't know where they want to go to. There is a site known as the Mission site which has been approved of by the Government, for this business.

Q--Did they tell you they wanted to go there ?

A--I only know that it has been approved of by the Government. They asked for the approval of that site, so I suppose they meant to go there, or perhaps it was more humbug.

Q--Did you promise them that they should have power there at the same price ? A--I never promised it.

Q--what is this letter I have here ? A--I don't know what the letter says.

Q--This is a letter dated December 3rd, 1919.

(Chairman reads letter in question)

CANADIAN PACIFIC R'Y. CO'S. TELEGRAPH

Port Arthur, Ont., Oct.5,1922

HYDRO-ELECTRIC POWER COMMISSION,
TORONTO, ONT.

FOLLOWING TELEGRAM FORWARDED HYDRO ELECTRIC INQUIRY
COMMISSION THIS DATE: ACCORDING TO PRESS DISPATCHES FORT
WILLIAM ARE ASKING FOR EQUAL POWER RATES AS PORT ARTHUR.
THIS WOULD BE MANIFASTLY UNFAIR. THE PRESENT TERMINAL
RECEIVING STATION AT NORTH EASTERN BOUNDARY OF PORTARTHUR
IS ADMIRABLY SITUATED FOR THE ECONOMIC DELIVERY OF
POWER TO THE LARGE AND SMALL USERS HERE AND IS QUITE
SATISFACTORY TO US AND THE EXTENSIONS REQUIRED TO SERVE
FORT WILLIAM WOULD ENTAIL AN EXTRA COST OF TWO HUNDRED
AND FIFTY THOUSAND DOLLARS FOR STEEL TOWER HIGH
TENSION TRANSMISSION LINE APPROXIMATELY FOURTEEN MILES
IN LENGTH. THIS WOULD COST PORTARTHUR CITIZENS 1 1/2
MILLS EXTRA IN THEIR TAXES FOR A LONG PERIOD IN ORDER
TO SERVE FORT WILLIAM. IT IS OUR OPINION EACH MUNI-
CIPALITY SHOULD PAY PROPORTIONATE TO THE DISTANCE FROM
THE SOURCE OF POWER AND EXPECT YOUR COMMISSION WILL
GIVE YOUR DECISION ON THIS JUST BASIS.

M. C. CAMPBELL,
:20 PM CHAIRMAN, PUBLIC UTILITIES COMMISSION

(Referred to on page 694 herein)

A--What I had in mind is this -- and I never made any statement otherwise -- I have got a telegram here from the city of Port Arthur, that makes this very obvious. I am going to take the privilege of reading this telegram. There may be representatives from Fort William here and they may know the attitude of Port Arthur, and I will be glad to express my opinion right here.

(Sir Adam reads telegram in question).

Now, Mr. Chairman, all I can say is this, that when the time comes when we must build a permanent station at the location decided upon, that is immediately between, or half-way between these two municipalities -- we will fix a price for Fort William identical and equal to the price for Port Arthur. In the meantime, we have a temporary station at the north-east end of Port Arthur, as the telegram indicates, and we are delivering power to Port Arthur, and we intended delivering power to Fort William in the extension of these lines when the Mayor forbade us erecting the poles.

Here is the situation. We would have to spend at least $250,000, and it would be foolhardy to spend that amount until the capacity of the present temporary lines and transformer station was used, but in extending them to Fort William it would add some cost to it. We would have to fix the one price for the two municipalities, but we will not make that additional expenditure until it is necessary. The cost of the line from this temporary station, or from this 110,000 volt line, would have to be assumed by this company. That would prevail if we went 50 miles further, the same as it does to the Nipigon Pulp & Fibre Company. They are obliged to pay the whole of the cost on the line down to Nipigon from the junction point, and it is transformed from the junction point to the

[illegible] is that we [illegible]

[illegible] I can [illegible] large [illegible] from

[illegible]

[illegible]

[illegible] revenue falling from Fort William [illegible] they know the attitude of Port Arthur, and I will [illegible] to continue [illegible] here.

([illegible])

Now, Mr. Chairman, all I can say is this, that when the time comes when we must build a permanent station at the location decided upon, that is immediately between, or half-way between these two municipalities -- we will fix a price for Fort William identical and equal to the price for Port Arthur. In the meantime, we [illegible] temporary station at the north-west end of Fort William. As the telegram indicates, we are delivering power to Port Arthur, and we intend delivering power to Fort William in the extension of those lines when the [illegible] Canada are erecting the poles.

Here is the situation. We would have to spend at least $500,000, and it would be foolhardy to spend that amount until the capacity of the present temporary lines and transformer station was used, but in extending them to Fort William it would add some cost to it. We would have to fix the one price for the two municipalities, but we will not make that additional expenditure until it is necessary. The cost of the line from this temporary station, [illegible] this 110,000 volt line, would [illegible] assumed by both [illegible]. That would probably [illegible] 50 miles [illegible] Company. They are obliged to [illegible] [illegible] from [illegible] [illegible] transformer [illegible]

point of development. Therefore, Port Arthur's contention is entirely wrong, that we will have an equal rate, and that applies to your letter. That is the only thing I ever had in mind, that the rates for the two municipalities would be identical. The rate for this, the figures, the estimates, everything, was based on that. I cannot do otherwise. I have no authority for assuming such a thing, and I had no intention.

Q--But you say so, Sir Adam ? A--Well, it is a mistake of some kind. That has no bearing on this. The contract wasn't concluded, there was no contract in existence.

Q--But the company is told here that you will supply it at the same price, whatever site it may adopt, either east of Port Arthur or at the Mission site ? A--No, it cannot be done. We have no authority to do it, we have no moral right to do it, and it never has been done, and it has never been done to supply the power at other than cost, and the cost is material. The 14 miles, I presume, is the distance between the temporary and the --

MR. GABY: No, Sir Adam, about half way between.

SIR ADAM BECK: These new mills that I spoke of at Port Arthur, this company going on, all those things will make it so that there will be no loss in the operation in 1926. They will be able to meet their obligations every year, but, in the meantime, Port Arthur would be penalized by this larger investment, which we are not making at the present time, but the company would not be penalized for the line from Bear Point to the Mission; it would be entirely responsible for that operation of four or five miles.

Q--Isn't there some reason for treating the two cities and surrounding district as one? A--No.

Q--They are practically the same, and if you had brought the power from Dog Lake, as you evidently proposed to do at first, this situation wouldn't have arisen at all. Fort William would have been nearer to the site than the other?

A--Do you think it is a proper, just and fair thing to do? The municipality submitted bylaws and gave this company free water, and all the other things. There is a lot of jealousy between those two municipalities, and the moment you start to discriminate between them you are going to be in very hot water.

Q--I think that by the way the letter was written you wouldn't discriminate? A--It would not be fair and just to them. It is absolutely improper to think of such a thing much less to go on record. I don't know how you can interpret the way I am arguing, but the fact is this, that this company has no redress. They have humbugged Port Arthur. The bylaws were voted on, on representations which they made, and they were put to expense in advertisements, and there is no reason whatever why they should not now decide to locate somewhere else. We gave them a price fixed at 1000 feet from the line at that point, that is what we gave them, nothing else. Now, however, if they have business advantages in going to Mission they have their disadvantages because we are not going to charge Port Arthur with this additional capital expenditure. We cannot justly or fairly saddle them with this additional investment, and give this company power at the same price.

Q--Is it because you are concerned with interests at Port Arthur that you do not encourage them to go to Fort William ?

A--What was that ?

Q--Is it because you are concerned with interests at Port Arthur ? A--I am not answering that sort of thing.

Mr. Chairman, I am not interested in anything but my full duty, and my full responsibility in this matter, and I mean to be equitable, just and fair and honourable in all these matters. I never play politics, and that would be politics what you have suggested here. I have no interests in Port Arthur and never had, not a dollar.

Q--I didn't mean your personal interests?

A--You said "Have you got an interest there?" or"is it because of your interests there."

Q--Certainly, the Commission's interest.

A--I said I never had, or in any other community.

Q--I understood you to say, Sir Adam, just now that it would be unfair to Port Arthur ? A--It would be unfair to Fort William, the customers in Fort William. It would be unfair to Fort William when they came off in 1926, and they would be penalized, as they will be, by carrying a line that is really only for the benefit of this company. If they had a development of their own they would have to pay for that money for their own use. They get the benefit of the co-operation of the whole district to this point, and they are only asked to pay for the one, that is only for their own benefit. It is impossible to conceive that we should charge Port Arthur and Fort William for it, and that answers your question, that Fort William is affected in like manner, with $200,000 or $300,000 additional investment, if that is the amount necessary to deliver it from the point between the municipalities --

Q--I didn't intend for a moment to suggest that you were personally interested? A--You said "Are you interested in Port Arthur".

Q--The Commission's interests ? A--Do you think I have got some friends there ?

Q--You speak now as if that would be doing an injustice to Port Arthur. I understood you to say that they were trying to leave Port Arthur and locate at Port William ?

A--I said for business reasons they have decided to ask the approval of the Government to the Mission site, and I believe the Government has given that approval. That is all I know about it. They may go to Winnipeg before they get through, I don't know.

Q--They may have to go somewhere else if they don't get power? A--They will never build at all, probably, it might be just as well inferred. Someone else will do the grinding, and so on, of what they have there at the present time. You cannot tell what those companies will do. They are only bound by what they agree to do.

Q--They say they are willing to begin construction now if they can get a rate for the power, begin the erection of their plant, and sign an agreement with you that they will take the power some time next year?

A--At cost ?

Q--No, at a cost which might be agreed on ?

A--Do you suggest any ?

Q--I understood you were offering them a flat rate, that you did for that one ? A--We never offered them a rate yet that we didn't think we would be or would have, ina reasonable time, sufficient revenue to justify.

Q--It was a specific rate that was fixed, was it not ?

A--Nobody inferr for a moment, I presume , that we have not always been ready, ever ready.

Q--Yes. A--Yes, Mr. Chairman, more than ready to confer with these gentlemen in a proper businesslike way to give them the very best price we can, on the policy and the principle on which all these matters are dealt with, that is, at cost.

Q--Now, you see, one difference between you is --

A--If the Government deals with all these items that I mention, and that I would recommend, that is, that those items should be deferred, we would base the cost of power on that basis, knowing that we will have sufficient money to take care of those charges later, and I think we would be justified in eliminating everything possible to make it possible for this company to compete with others, but you surely wouldn't have the mills, and the customers, the elevators and other people discriminated against. Those are not specially privileged people. True, they have got enormous concessions from the Province of Ontario, concessions that the ordinary elevator men do not get.

Q--What we want to find out is just the exact points of difference between you. One is that you are not prepared to construct that line ? A--Settle the price first. Are we to bonus those men, and if we do who is going to pay for the bonusing?

Q--We are not proposing anything at all. Our function is simply to inquire and find out what the differences are ? A--On what basis am I to give you this information?

Q--On what you, as the Chairman, are prepared to do, on any basis that you would consider a just and honourable basis.

A--On the principle that we have adopted in every municipality, in every contract we have made in the last twelve years.

Q--And what would be in the interest of the Commission, of course? A--We have no interest.

Q--Well, general interest ? A--In the interest of the Nipigon district. Mr. Chairman, remember always this, please, when you are thinking of this district that it will ultimately have the cheapest power of any of the

Systems.

Q--What we are concerned about, Sir Adam, is what the Commission is prepared to do now. I understand you to say that you think it would not be right for the Commission to build this line to the Mission site. That is one point of difference? A--Well, I think we would need some guarantee for the investment, the same as with the Fibre Company, and I think we would have to charge them the cost of it.

Q--You would have to charge these individuals the cost of that line. Mr. Gaby, I think, put it yesterday at $500.00?

A--I also mention this, Mr. Chairman, that the Government should defer the setting aside of a Depreciation Fund. We will be having a session in a few months, and they might defer, in this case, as I say, the setting aside of a Depreciation Fund, and if they are responsible for the loss it wouldn't matter whether we paid a tax or not. Then I think it would be wise to spread this 5% over a term of years so that in the end 6% interest or 6.2% would prevail, but when they have cheaper money, of course, we will get the benefit of it.

Q--Might not this line that you speak of from the Boundary between the two cities over to the Mission site be used for other industries ultimately as well as for this one?

A--Yes, they are credited for it then.

Q--And might it not seem rather hard upon some industry or upon this one industry, to charge them up with the cost of construction of a line that might be used by others as well, and might be to the advantage of the Commission to have? A--Not any harder than it is for Port Arthur to be asked to pay $5 a horsepower more because the Government

did not make that customer available. The Province of Ontario, I shouldn't say the Government. That mill is not there to use the power, but we were directed to put in this equipment and everything to supply this mill, this user.

Q--That is one point of difference between you and them.

A--Now, Port Arthur is asked to pay $5 a horsepower more through no fault of their own.

Q--What are the other differences, Sir Adam, that prevent an agreement being made by the Commission?

A--No differences at all. The terms -

Q--What are they?

A--I don't know, you must ask the Company.

Q--I just want to know what the differences are, so that we may know exactly , that is, as to the entry into of a contract between you. We have got one now, this high tension line. Wasn't there some question of --

A--Supposing we do this, Mr. Chairman. It is a matter of a reasonable arrangement all around, in which we want you to know exactly what we do from time to time, and of course,the Government will know, and my suggestion is simply this, that if we lose $100,000. this year , after eliminating all these things, or at least deferring these various charges and coming to an arrangement if the Government sees fit, I would advise then that we have this 5% money, then we will at once go to work and figure out the actual cost in view of the business we are getting in Port Arthur. There is quite a big block of power coming on there, and before this is finally consummated we may have the Fibre Company on again, and then we can rectify, or change or

alter, or have a provision that if by virtue of this Company, or other consumers, coming on, if we can make it less we will do so. There is no reason why we shouldn't. I think that is a clause that might be inserted, and I will recommend that if they want it. It won't do them any harm, and it might do them a lot of good, because when you get 50,000 onto that plant there will be a very material revenue coming in, and consequently a very material reduction in post, and they will get the benefit of it.

Q--At the present time you were willing to furnish power to both municipalities at the same price? A--Yes.

Q--Now, wouldn't it be possible to carry out that price to industries, to further industries in both these municipalities, giving them power at the same price?

A--This was a separate municipality. They would pay the difference between the delivery of power at this point and the other, same as this Company is paying.

Q--If you didn't furnish the power, Sir Adam, wouldn't that have the tendency to transfer industries from one municipality to another? A--That is their option. They might save $100,000 by locating there rather than at the other point. I do not know what the advantages are, but they might have other advantages that I know nothing of.

Q--Perhaps you are aware that a Million Dollars has been spent at the Mission site to provide for navigation there, while if they were situated at the other site, although you might not have to pay more, the Dominion Government might have to pay more to provide accommodation.

We find one point of difference. Perhaps Mr. Lucas might tell us the exact differences between you.

HON. MR. LUCAS: I cannot tell you the differences other than those already stated.

MR. MORRIS: The differences are all shown in the correspondence in the Blue Book.

THE CHAIRMAN: Wasn't there a question of Bond in issue between you.

HON. MR. LUCAS: There was some difference as to the Standard Strike Clause.

THE CHAIRMAN: I understood that the Commission took the ground that if there was a strike on in their plant, and they were not able to supply power, they shouldn't be liable for any loss sustained by the customer.

SIR ADAM BECK: That is standard in all contracts.

THE CHAIRMAN: And that they should be able to charge for power in the meantime. That is one point, I think, was it not?

HON. MR. LUCAS: There was a discussion as to that. The detail of which I haven't in my mind.

SIR ADAM BECK: Mr. Chairman, we have that same contract when we purchase large quantities of equipment from Companies. We cannot change that unless we change it in every contract we have got.

THE CHAIRMAN: Q--Sir Adam, are you sure about there being a standard clause in all your contracts? Haven't you omitted this contentious clause from some of your contracts altogether? A--I don't know. If it is, it is entirely without my knowledge.

Q--I am told that in your contract with the C.P.R. at

Port McNicoll you have eliminated that strike clause absolutely. We have seen the contract, and I am advised there is no strike clause in it at all. That is a very important contract.

MR. GABY: As I remember that contract, no matter what happens they pay for the power at any rate.

THE CHAIRMAN: Mr.Wegenast tells me they don't have to pay for the power if you cannot furnish it. It is quite different from the contract you propose with these people. Then take the Ontario Gypsum Company, that is another one in which it is different? A--The Gypsum Company?

Q--Yes, the Ontario Gypsum Co. A--That is only 2 or 300 H.P.

Q--I understood you to say that it was a standard contract. I understood you to say that, and we find a number of cases in which it is eliminated altogether? A--There may be very good reasons for it not being there.

Q--The Port Credit Brick Co., The Dominion Sewer Pipe Co., it is eliminated in those? A--It is not eliminated, because it is not charged in any of these cases; no municipality does it.

Q--Those are contracts made direct by yourselves.

A--I know they are, but they are really small municipality contracts. We don't happen to have a contract with the municipalities in whoih they are located, and there was no alternative for them but to make it with us.

Q--I am only speaking about your having left out the strike clause? A--It is different in a big contract

where you have to spend $200.000. or $300.000.

Q--Well, that strike clause is one point of difference between you? A--Yes.

Q--Wasn't there something about the giving of a fiat?

MR. POPE: There is no fiat necessary, because there is no provision in the agreement. The fiat is a matter of statute, and that was all arranged to the satisfaction of their solicitor.

THE CHAIRMAN: You say it is a matter of Statute?

MR. POPE: Yes. It isn't in the contract. There is the Arbitration Clause in the contract.

THE CHAIRMAN: I understand your contention is that Arbitration is sufficient?

SIR ADAM BECK: There seems to be no difficulty at all about getting fiats.

THE CHAIRMAN: Q--But you can understand that they might wish to have it inserted, because although one Government might give a fiat another Government might take a different stand? A--We think all Attorney-Generals are just and fair, that is what they are therefor. I have not found any of them yet being very liberal in those matters.

Q--Not very liberal in the matter of fiats, Sir Adam?

A--There is always the public to censure you when you are in public life, sometimes fairly and sometimes otherwise.

THE CHAIRMAN: I understand that the Arbitration Clause overcomes that altogether?

MR. POPE: Absolutely. They were not quite satisfied with the Arbitration Clause referring it to the revised Statutes of Ontario, and they had the whole wording of the

Statute put into the agreement. That was all arranged to the satisfaction of Mr. Grant who was acting for them at the time.

SIR ADAM BECK: Yes, those matters are all arranged.

THE CHAIRMAN: Q--We only want to know what they are. I suppose we shall have to report on the matter, and we only want to know the points of difference between you. It seems to all of us that the differences between you are not sufficient to prevent a contract being entered into that would be fair to both? A--I think Mr. Kilmer made it clear in his letter to the Government. This Company, he says, are merely beating time, and had no intention to make a contract at that time.

Q--I am assuming that they had intentions of making a contract. They say they were prepared to give guarantees, that would satisfy you? A--I assure you that we have done all in our power, and have been willing at all times to make an agreement. I say that in the most positive way, many many times. They accepted our price.

Q--I understood that an agreement was practically settled in your absence, Sir Adam, and that on your return objection was raised to its being carried out. That was arranged by the Government? A--The Government didn't make any agreement.

Q--No, No, but I think they stepped in and acted as intermediaries.

HON. MR. LUCAS: Mr. Chairman, have you before you the letter from the Solicitors of the Company stating that the contract is satisfactory. The letter states " We may consider the matter of the agreement closed with the exception

of one or two minor changes."

THE CHAIRMAN: Yes.

HON. MR. LUCAS: At that time there were only one or two minor changes. They magnified them later.

COMMISSIONER HANNY: What is the date of that letter?

HON. MR. LUCAS: That is from Johnson,McKay,Dods & Grant and is dated November 26th,1919.

THE CHAIRMAN: They were prepared to accept that agreement with minor changes.

HON. MR. LUCAS: Satisfactory, with the exception of one or two minor changes.

THE CHAIRMAN: That is the agreement by which you would deliver power to them at Bear Point, or at Fort William.

HON. MR. LUCAS: But that agreement contained all these clauses which have since been made to appear as of some importance.

THE CHAIRMAN: And that agreement provided that they would have that power either at Bear Point or at the Mission site.

MR. POPE: No, sir, a thousand feet from our then existing pole lines at Bear Point.

MR. MORRIS: In or near Fort William, and the intention always was it would be from a transmission line.

SIR ADAM BECK: Do you mean to infer that you hadn't in mind that you were humbugging at that time, that you were not going to locate within a thousand feet of our line at Bear Point?

MR. MORRIS: Mr. Chairman, will you look at Mr. Alstead's letter to the Chairman , at page 34. It is just

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

MR. [illegible]: [illegible] is from [illegible], [illegible]
[illegible] and is [illegible] Lowndes [illegible].

THE CHAIRMAN: They were prepared to [illegible]
[illegible] with minor changes.

MR. MR. [illegible]: Satisfactory, with the exception of
[illegible] the minor changes.

THE CHAIRMAN: What is the agreement by which you
[illegible] power to them at Four Joints, or at [illegible]
[illegible].

MR. MR. [illegible]: That is a agreement covering [illegible]
[illegible] which has been made to [illegible] or [illegible]
[illegible].

THE CHAIRMAN: And that agreement provides [illegible]
[illegible] that power either at Four Joints or at [illegible]
[illegible].

MR. [illegible]: No, sir, a thousand feet from the [illegible]
[illegible] pole lines at Four Joints.

MR. [illegible]: In or near Fort [illegible], and the [illegible]
[illegible] where it would be from a [illegible] line.

MR. [illegible]: If you go to Butler then you [illegible]
in [illegible] where you were [illegible] at that time, [illegible]
[illegible] going to [illegible] [illegible] or [illegible]
[illegible] [illegible]?

MR. [illegible]: Mr. Chairman, will you [illegible] [illegible].

[illegible]

about that time that the letter was written to the Hon. Mr. Nixon. It is the second to the last paragraph on page 34:

" I was informed yesterday that the power will be furnished on the land east of Port Arthur and in the city of Port William at the same rate - "

SIR ADAM BECK: Is this in the city?

MR. MORRIS: No, but it is just adjoining it.

THE CHAIRMAN: Do you mean if it had been on the Fort William side of that line?

SIR ADAM BECK: Within the Municipality, and could have been supplied by the power that was supplied to the municipalities, then they would get the same price.

Q--If they had been within the Fort William line you would have supplied them at the same price?

A--The same as Port Arthur is supplying their mills today, just in a like manner.

MR. MORRIS: Then look at page 63, another letter from Mr. Alstead to the Hon. Mr. Bowman, dated Feb.21st,1920, the third paragraph, in which Mr. Alsted says:

" Great Lakes Paper Company would pay $18.00 per H.P. per annum for 13,500 H.P. in reserve, delivered in the vicinity of Port Arthur or Fort William, and would undertake the expense for necessary branch Transmission line in excess of 1000 ft. from the main transmission line to be erected by the Hydro Electric Commission. "

MR. POPE: We settled this contract on the 5th Nov.1919, in the Board Room. When he got through, we asked Mr. Alsted to call in a stenographer, and we asked him to dictate that which he wished to have in the agreement, and

(Referred to on page 709)

"From reliable information which I have obtained I do not think the defendants have any intention of proceeding with the construction of a mill under the terms of the original concession. They have offered the limit for sale subject to all existing conditions and defaults, for the sum of $1,000,000, or one-half interest for half that amount.

he signed one copy and I signed one, and the point of delivery was to be absolutely settled, and it was figured that it was at their station, and then the question was where was that station to be located. They had some plans, I remember, and we then agreed that it should be a thousand ft. from the existing pole line of the Hydro at that time, and if they went beyond that thousand feet they were to pay the cost, and it is so established in that memo in the papers which you have got, and the contract was so drawn. He said that he agreed to that at a thousand feet. Now he says that that might be a line built to Ft. William 15 miles from that point, at least, that is what he wants to say.

SIR ADAM BECK. Well, we will begin all over again, that is all past history, but the fact is that the Government's own solicitor in 1920, Sept. 24th, pointed out that the Great Lakes are simply speculating.

(SIR ADAM BECK quotes from letter of Mr.Kilmer dated Sept. 24th,1920).

I don't know why a man should make that statement, and whatever differences obtained, or whatever may have been the misunderstandings, I want you and this Board to realize that we never had any other intention or object than to deal with this matter in a businesslike way, in a proper, decent and just way, in a way that wouldn't discriminate, and in such a way that we could not be accused of ever giving this Company any preference, something which we have never yet done. Therefore, as I say, we had better begin over again with our negotiations, taking this as the basis of our negotiations in an endeavour to get at a price,

but we cannot decide onthat until we know whether the Government will make it legal to waive these matters as you, as business men know, and as I can instance to you in the case of the Central Ontario, where the Sun Life Insurance Co. of Montreal, in operating that system, known as the Electric Power Company; they were not able to pay the interest charges out of revenue on the bonded debt on that plant, on their property. They were short, on their own statement to us $175,000. the last year of operation, because their business was only half what it would ultimately be. Now we have got that worked up to more than double, and now our revenue is quite ample to take care of the interest, depreciation, maintenance, contingencies, and so on. But we are not paying sinking fund, because that was deferred for ten years.

COMMISSIONER HARRIS: Of course, the Central Ontario doesn't come under the same category.

SIR ADAM BECK: But there is an instance where there was a loss of $175,000. on operation because their business was only half what it would ultimately be, and these things ultimately, as you as business men know, work up to a production where you are able to meet all your estimates.

COMMISSIONER HARRIS: But you cannot treat this in a business way, because you have to supply power at cost? A--Yes, but I have also referred to the fact that we have deferred all those things, and we will defer them in Chippawa. We will be able to pay our interest charges, I hope next year, on the Chippawa, but we may have to defer the interest for a year, although that is no reason that we should be subsidized or bonused by any

grant.

Q--Is it any reason why we shouldn't try to arrive at some arrangement or some basis of arrangement, on the Nipigon because we will not be able to dispose of that power at cost? A--Whose fault is it?

Q--Well, it isn't ours. A--It isn't the municipalities that are directly responsible for it. You are asking us to devise ways and means and I have made you a suggestion. I say the Government is morally obligated and these municipalities should insist upon it, and I, as Chairman of the Commission, strongly recommend - that is all I can do, I have no authority - that the Province of Ontario, out of the Treasury of the Province of Ontario, make up the deficit on account of interest charges only on the investment until it is self sustaining, because it is entirely their fault that we haven't got the revenue. That is my candid opinion.

Q--Of course, we have got to work this out on a different basis than having the Government of Ontario back it, but that is your idea. Surely the municipalities on the system are responsible ? A--I say that the Province should pay, that those municipalities should be justly and fairly dealt with. Where would this Province be , with the only real source of power available that amounts to anything in that district, disposing of enormous areas of pulp in a non-competitive market, with one man tendering. The late Mr. McNab and I, ten or twelve years ago were constantly urging the Government to cancel the rights that were supposedly in the hands of the Marks people, as

we called them, and they did ultimately cancel them and it came back to the Crown, and that means more to the Government, because of the enhanced value of the pulp in that district, because of the possibility of competition that would never prevail if a private company was in possession of that development. Your whole mineral resources and everything else would have been in the hands of that corporation.

COMMISSIONER HARRIS: Q--We have got to keep in mind always that the big demand and the big sale of power on that Nipigon system must go to the pulp companies?

A--Well, you have got the pulp, havan't you, and it has got to be ground. Do you think it would be fair for a company to go and get power to grind its pulp below cost, thus penalizing the users in those two municipalities who are also manufacturers of pulp and paper.

Q--That is a question that we have got to consider. But what I do want to say is this, that I regret tremendously that any such statements should be made about people who come over from the United States and spend thousands of dollars in an attempt to build up a big industry here, and who are willing to spend a few million dollars, in order to carry out their plan, to have them talked about as they are talked of here today, I regret it very much.

SIR ADAM BECK: They are no different from our own people, and I make the same statement of our own people. Take what Mr. Kilmer has said .

Q--Mr. Kilmer might be wrong? A--Then censure him.

Q-- I just want to take this occasion to say that I do

[illegible]

[illegible] because of the commercial value of the pulp in [illegible]

[illegible] it is a [illegible] company was in possession of that development. Your whole mineral resources and everything else would have been in the hands of [illegible].

[illegible]

[illegible] pulp manufacturers.

Q--Well, you have got the pulp, haven't you, as it has got to be ground. Do you think it would be [illegible] necessary to go and get power to grind the pulp below [illegible], then transmitting the waste in those two municipalities who are also manufacturers of pulp and paper.

Q--That is a question that we have got to consider. But what I do want to say in this, that I respect tremendously that any such statements should be made about people who came over from the United States and spend thousands of dollars in an attempt to build up a big industry here, who are willing to spend a few million dollars, in [illegible] industry and their plan, to have their values about as they are thought of here today. I respect it very much.

MR. [illegible]: They are as different from our own people, and I make the same statement as our own people. Take your Mr. Hilmer has said.

Q--Mr. Hilmer refers to yesterday [illegible].

Q-- I just want to take this opportunity to say that I do

not want the impression to go abroad from this meeting that those men are dishonourable, because I think they are honourable. A--I simply say Mr. Kilmer reported to the Government as their Counsel, that they were simply humbugging.

Q--They are still anxious to contract to take power?

COMMISSIONER R.A. ROSS: Mr. Kilmer was Counsel for whom? A--The Government Counsel.

THE CHAIRMAN: It is just a statement probably, made without investigation, and just a suggestion by him in the course of his letter. There is no evidence to show that Mr. Kilmer has anything to base that on.

SIR ADAM BECK: You have no information to show that.

COMMISSIONER HARRIS: Well, I have expressed my views, Mr. Chairman, and my feelings in the matter.

SIR ADAM BECK: The Province authorized us to go on with this development, and if we had had the revenue from that contract it would have been ample to have wiped out this $1,000. a day deficit that was given such prominence in the headlines of the press. What impression did that make in this country? As a man from Los Angeles said yesterday that statement will be on the billboards of Los Angeles and other cities in California 24 hours after it appears in the press here. That is how we suffer in this country, and statements like that must affect the credit of the country, and the honour of the Commission.

COMMISSIONER HARRIS: The situation of those gentlemen is; Their contract has been before the Courts of this country, and has been adjudged upon, and the Courts of this

[illegible]

[illegible] under consent, that they [illegible]

[illegible]

they are still unable to convince [illegible]

[illegible]

[illegible] Government Counsel.

THE CHAIRMAN: It is just a statement, [illegible] [illegible] information, and just a suggestion by him to [illegible] of his letter. There is no evidence [illegible]. Either has anything to base that on.

SIR ALAN BURN: You have no information to [illegible] that.

CHAIRMAN DR BARTIE: Well, I have experienced [illegible] weather, and my feelings in the matter.

SIR ALAN BURN: The Prayings subcommittee is to go to [illegible] development, and if we had had to [illegible] [illegible] it would have been [illegible] to have wiped out [illegible] 2,000, a day doubtful that was [illegible] [illegible] the possibility of the press. What impression will [illegible] [illegible] in this case [illegible]? As a man from Los Angeles and [illegible] subcommittee will be on the [illegible] of [illegible] and other cities in California [illegible] [illegible] in the press here. That is how we [illegible] this account, and [illegible] like that [illegible] [illegible] of the country, and the honour of the [illegible]

[illegible] has by no [illegible] before the [illegible] of [illegible] [illegible] judged upon, and one [illegible]

Country say that they have done everything they should have done.

SIR ADAM BECK: Except to carry out the contract, or the terms of the lease where they develop. They didn't go on with the work.

THE CHAIRMAN: The Court expressly held that they had done all that was necessary.

SIR ADAM BECK: Oh, no.

Q--The Judgment states so expressly, that they are under no obligation. A--To buy power from the Commission.

Q--And that the Commission defaulted in not being able to furnish it to them. A--Why. We would have been ready long before they had their building fit to go into. Because we didn't install another 10,000 or 20,000 H.P. that would be lying idle, when we knew we could have it ready long before they were ready.

Q--There is nothing whatever in that Judgment on which to base a charge of breach of faith on the part of the Company.

HON. MR. LUCAS: In the letters written by the Counsel for the Government, not on one occasion, but on several occasions -

THE CHAIRMAN: It is hardly fair to throw out letters written to the Government.

SIR ADAM BECK: I suppose these letters are public property.

THE CHAIRMAN: It might be, but the Court didn't sustain what is written in those letters.

SIR ADAM BECK: We have been a doormat a good many times,

unjustly and unfairly, everybody wiping their feet on us.

Q--You spoke of the Government being under an obligation to meet the deficit, because of certain things which they did? A--I said the Province of Ontario.

Q--I mean the Province of Ontario. A--They directed us to go on with this development, and they extended the time for this company, and so on, and therefore, the municipalities should not be liable for that.

Q--If the Government requires you to make certain expenditures and do certain work that wasn't required by the municipalities, then I understand you, as guardians of the municipalities, obtain an undertaking from the Government at that time to meet any additional expenditures?

A--I told you they are morally obligated.

Q--I ask, why didn't you see that they entered into an obligation so that there wouldn't be any uncertainty about it, if they did require you to make this expenditure? The businesslike way would be to say,we wish you to undertake or bear a portion of the cost . You were a member of the Government that made the lease, advertised the limits on those terms. A--I don't think I was ever a member of the Hearst Government.

Q--Oh, yes, you were a member of the Government.

A--Was I?

Q--You were a member of the Cabinet. A--When was I a member of the Hearst Cabinet, will you tell me?

Q--I don't know, Sir Adam, the record will show that.
A--
I had a lot to do in the Whitney Government with getting concessions back to the Crown.

HON. MR. LUCAS: Sir Adam wasn't a Member of the Government until 1914.

SIR ADAM BECK: I am very loath to read this letter, Mr. Chairman, but I have a letter here from the Prime Minister of this Province to the Mayor of Port Arthur dated January 8th,1920. It is as follows:

" In response to representations made on behalf of the City of Port Arthur and Thunder Bay District, I beg to advise you that the Government in its negotiations with the Great Lakes Pulp & Paper Company is insisting that only electric Power supplied by the Hydro Electric Power Commission shall be used in the grinding of pulp and the manufacture of paper from wood cut from the Black Sturgeon and Pic Limits."

Now, you know what the lease is, what the lease provided for, and so on, and, therefore,I have no comments to make. I did not want to refer to this letter, but I am perfectly justified in doing so.

THE CHAIRMAN: Q--There is nothing in the letter that was objectionable? A--I didn't say there was, but you seem to think there is a great deal of objection, Mr. Chairman - and you inferred that I, not a Member of the Government, having no ways and means of knowing, or knowledge of what the Government is doing in the way of granting leases, should have raised objection to it.

Q--I am not objecting. A--Yes, you are. You say, Why don't you do this or that. You have very good reasons, evidently, for asking me that.

Mr. Chairman, I would like to know whether it is possible, if your Commission is dealing with it, for us to

Mr. [illegible]: Mr. [illegible] wants a number of [illegible] [illegible] on [illegible] 1944.

Mr. [illegible]: I am very loath to [illegible] [illegible] the. Chairman, but I have a letter here from the Prime Minister of this Province to the Mayor of Fort Arthur dated January 6th, 1920. It is as follows:

" In response to representations made [illegible] the City of Fort Arthur and Thunder Bay Electric, I beg to advise you that the Government is [illegible] [illegible] with the Great Lakes Power Company in installing this only electric power supplied by the Ontario Hydro Power Commission shall be used for the [illegible] of pulp and the requirements [illegible] [illegible] must not from the Ontario and [illegible]

Now, you know what has been in, [illegible] [illegible] residual fat, and so on, and, [illegible] to make. I did not want to refer to that [illegible] [illegible] particularly troubled in a [illegible]

THE CHAIRMAN: Q--There is nothing [illegible] [illegible] your official [illegible]? A--I think [illegible] [illegible] you seem to think there is a great deal [illegible] [illegible] - and, as I informed that X, not [illegible] [illegible] Government, having no [illegible] and [illegible] [illegible] that the Government can [illegible] [illegible] [illegible] Legislature, [illegible] have [illegible] [illegible] [illegible] not objection. A--Yes, [illegible]. [illegible] [illegible] don't you do this or that. You have [illegible] [illegible] [illegible], for [illegible] that.

Mr. [illegible]: I would like to [illegible] [illegible] [illegible], if your [illegible] is [illegible] [illegible]

have a conference. I would suggest a conference between yourselves, and the Government and our Commission, and I would suggest that the Auditor, Mr. Clarkson, should be there, to try and see if we cannot justify the Government making it possible to defer the charging of these various items that I mentioned, that is, Sinking Fund and Depreciation, under certain conditions, and if the Government sees fit to fix the rate of interest we shall pay on the basis that Mr. Clarkson, in his evidence, was agreeable to, and approved of, or in favour of, so that we will know, in negotiating with this Company, how far we can go in reducing this cost of power.

THE CHAIRMAN: Of course, Sir Adam, that is a question that relates not only to the Nipigon, but probably to other parts of the Province. We have been very much interested to hear the principles you have laid down, and they will receive our full consideration.

A--I don't think that we should defer depreciation only where it is absolutely necessary.

Q--I have no doubt that, in due time, after considering it and after hearing the different parties, we shall make a recommendation upon that phase of the subject.

A--We have been able to have a sufficient revenue by deferring, in a general way, all this depreciation. Sinking Fund has been deferred from time to time, and I think Sinking Fund should be spread over a longer period. Financial institutions suggest that we shouldn8t have any Sinking Fund.

Q--I think that is a matter well worthy of consideration.

[illegible] ---. I could support a resolution [illegible] [illegible], in the Government [illegible] or [illegible], and I could support that the Adviser, Dr. C. [illegible], [illegible] [illegible], to [illegible], and not if we cannot justify the [illegible] [illegible] it possibly. So, before the [illegible] of these [illegible] [illegible] that I mentioned, what is, Mr. Speaker, that [illegible] [illegible], under certain conditions, and if the Government [illegible] [illegible] to the rate of interest we shall pay on the loans that [illegible]. Therefore, in this [illegible], [illegible] [illegible], and [illegible] [illegible]. So in favour of, or back to [illegible], in [illegible] [illegible] with this Company, how far we can go in [illegible] [illegible] the cost of power.

THE SPEAKER: Of course, Mr. [illegible], that is a [illegible] that relates not only to the Diplomat, but probably to other [illegible] of the Province. We have been very [illegible] [illegible] to hear the principles you have laid down, and [illegible] [illegible] [illegible].

I don't think that we should [illegible] [illegible] [illegible] [illegible]. It is absolutely necessary.

I have no doubt, that, in due time, after [illegible] [illegible] and after [illegible] the [illegible], [illegible], [illegible] [illegible] upon that [illegible], of [illegible].

We have been able to have a sufficient [illegible] [illegible], in a general way, all this [illegible] [illegible] have been [illegible] from time to time, and I [illegible] [illegible] from [illegible] be [illegible] over a longer period. [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

I think that is a [illegible] [illegible] [illegible] [illegible].

A--I think we should go on the broad principle of paying off the debt in a certain time.

THE CHAIRMAN: Perhaps we may have a rather more detailed or concise expression of opinion as to just what shall be done with the expenditures for the different classes of works. There is one matter I was going to speak about, that is, we understand that the Commission does not own the land upon which the Nipigon Development has been constructed, that some of it is owned by the Crown, and that other parts of it are owned by private parties. A--I may say we have made the whole investment, and we haven't even got a lease for the rights of the water.

Q--Why is it that that arbitration hasn't been carried on?

MR. POPE: Early in 1908 application was made to the Government for the rights in the Nipigon, for the necessary water power, that is,a patent for the necessary water power, and the necessary lands for flooding. Eventually they gave a lease for the flooding above the development, and below the development they fixed a price of $5. per acre. They said they preferred leasing rather than giving a patent.

THE CHAIRMAN: Q--That is the Government, I understand.

A--Yes. The question came up for a patent or water lease for the water. That was discussed, and the Minister of that Dept. wrote stating a lease would be granted in the ordinary form if we agreed to $1.00 a H.P. That was discussed by the Commission on several occasions, and objected to because they thought it was too much. Kam. was paying

nothing, and it was a competitive point. Colonel Carmichael had the matter in hand and he took it up. They had different discussions, and we understood from him that the Minister felt he should not be called upon to reduce the price.

Q--You heard what was said the other day by Mr. Bowman, Mr. Pope? A--I wasn't here.

Q--Mr. Bowman was here the other day and he said that they could get a dollar a H.P. if they sold it to a private company, but that they felt, in this case, they might make it fifty cents. A--As to the other property, when they started to search the titles to the property surrounding the Government had a reserve all around Cameron Falls. We then found that property was vested in a syndicate that bought it just before we started to do business there, the 31st March,1919, the Spring we started to work, in which the parties were John Flett, James Whalen, and Newton Wesley Rowell. They bought 800 acres for $400.00.

Q--From the Government? A--Yes.

Q--When was that bought? A--In 1919.

SIR ADAM BECK: And what did they do with it? They cut off all the timber. There isn't enough there to build a raft.

Q--It was a grant? A--It was a grant at 50 cents an acre to those people.

Q--That was in March,1919? A--Yes.

HON. MR. LUCAS: The sale would be made away back in 1906. The certificate itself may be dated in 1919.

THE CHAIRMAN: Do you know when the grant was made?

HON. MR. LUCAS: I fancy about 1900.

MR. MORRIS: The certificate will show.

SIR ADAM BECK: There was quite a bit of timber on that land, and why do they ask $25,000. for it?

THE CHAIRMAN: Q--Are these the sole owners?

MR. POPE: They formed a company. I think it is called the Nipigon Lumber & Pulp Company. I forget the name.

Q--Mr. Carrick's name was mentioned the other day.

MR. POPE: He has no interest in that, His land was near Port Arthur. It has been settled for long ago. Mr. Rowell is President of that Company and Mr. Casey Woods is Secretary. I have got in touch with the owners. The first time I did I found that Mr. Rowell was in England, and then I got in touch with Mr. Woods, the Secretary.

Q--How long ago was that? A--That was some time, I think, in the early part of 1920, and he told me the situation, that they had spent a large sum of money in exploiting it, and that they had got out very elaborate plans for a pulp mill, and so on. He showed me the plans, and told me that they had built a couple of buildings there. He admitted they had removed the pulp and everything that was available in the way of wood, and ultimately the lease was cancelled and that he couldn't deal with it until Mr. Rowell got home, but the idea was that the Company would be content with the money they had spent in exploiting the property. He thought they would be content to hand over the whole 800 acres, and I told him we didn't want the whole 800 acres.

SIR ADAM BECK: Q--Didn't he mention an amount?

A--He said he thought they had spent between $25,000 and $40,000 in exploiting it. Then after something like a year and a half after that, when Mr. Rowell got back and was released from his Parliamentary duties, I took it up with him and he practically repeated what Mr. Wood told me. He admitted that the lands were of no value except that immediately adjoining the development. That land, he thought, was valuable, because he thought it was a part of the necessary requirements to carry on the development. He suggested that possibly they would take the money they had expended and give a release to the whole property. Beyond that he said he would have to get his people together.

SIR ADAM BECK: This is Cameron Falls.

MR. POPE: Yes.

THE CHAIRMAN: And the same Government granted a release to another party .

MR. POPE: I think they granted a release to Marks.

SIR ADAM BECK: By what Government?

THE CHAIRMAN: By the Whitney Government, I suppose, or the Hearst Government.

SIR ADAM BECK: Don't suppose.

HON. MR. LUCAS: I think it was the Hearst Government.

SIR ADAM BECK: I think Carrick was given a lease.

THE CHAIRMAN: We mean the Government of which you were a Member.

MR. POPE: That is the situation.

THE CHAIRMAN: So you have taken no proceedings.

MR. POPE: We have settled with tens of thousands of people in connection with Hydro requirements, and we have

only had six arbitrations.

Q--Have you made an offer to these people? A-- We intimated to them that the whole property might be worth $5,000. or $6,000. That wou ld be ten times what they paid for it. They couldn't make any use of it without the water power, because the reservation of the Crown prevented it.

SIR ADAM BECK: And the Lumber Co. took off all the timber on 800 acres. I don't think the property is increasing in value any, if the scheme is losing a thousand dollars a day.

MR. POPE: We bought a piece of property just across the stream, the same as this, for $4.00 an acre.

THE CHAIRMAN: You spoke just now of the present Government having declined to issue a patent until the water power was fixed.

MR. POPE: Oh, no.

SIR ADAM BECK: He submitted a letter from the Minister.

THE CHAIRMAN: I think I am right in saying that Mr. Pope said the Government declined to issue a patent.

MR. POPE: Here are about 60 letters starting in 1918 and going up to 1921.

THE CHAIRMAN: They refused to issue a patent to the Commission.

HON. MR. LUCAS: Oh, no.

MR. POPE: We got authority to go on in the meantime. Then the 50cents an acre was settled, then they came to the water power and they fixed that.

SIR ADAM BECK: They didn't fix it. They suggested and

Mr. Bowman has since said they would be open to accept 30 cents.

THE CHAIRMAN: Mr. Ferguson wrote a letter in May, 1919 to the Commission.

MR. POPE: That is something I haven't got.

THE CHAIRMAN: It was written to W.W. Pope.

MR. POPE: Here is a letter dated January 15th,1920, from the Minister, giving the Hydro Commission authority to proceed with the work pending final arrangements. Then we sent them plans on the 1st of March,1920.

COMMISSIONER HARRIS: Q--Sir Adam, you have been emphasizing the fact all morning that the Government is responsible.

SIR ADAM BECK: Yes, Sir, I think they are morally responsible.

Q--Well, either morally or any other way.

A--Not the Government, the Province.

Q--Well, the Province, that is the Government of Ontario,

A--The Province, not the Government. The Government doesn't pay any of these deficits that I know of.

Q--Well, as I understand it, you have been emphasizing the point that the reason for proceeding with this development of the Nipigon was because the Government was very anxious that it should be done? A--No, they directed us. We have their authority to go on with it, to provide for this company.

Q--Provide for power for this company? A--Yes.

Q--In reading over the correspondence in the Blue Book here, page 84, there is a letter from the Secretary to Mr.

J.J.Carrick (Referred to on page 724)

Sept. 13, 1918

Dear Sir:

I am instructed to advise you that the Commission is about to proceed actively with the development of power on the Nipigon. Since forwarding you, some time early last year, a proposed contract for a supply of power, in answer to your application, no answer has been received and the Commission have had no further advice as to your intentions or definite requirements with respect to power.

In view of the high cost of equipment and materials, the Commission propose to install only such works as will meet the immediate requirements for power on existing contracts, and unless the Commission receive a definite contract for the supply of power, it will be unable to consider future requirements you may desire to provide for.

Trusting you can favor the Commission with a reply at once, giving definite information as to your requirements, I remain

Yours truly,

SECRETARY

(Referred to on Page 724)

Dec.11, 1918

I. L. Matthews, Esq.,
Chairman Public Utilities Commission,
Port Arthur, Ont.

Dear Mr. Matthews:

I am in receipt of your favor of the 7th inst. re the Nipigon development.

In connection with this matter, I may say that the preliminary work at the Cameron's pool site is actively under way and we are arranging for immediate construction of a siding from the G.N.R. to the site of work to facilitate the bringing in of materials.

The Commission propose to develop this power to the extent, at the present, necessary to meet the demands of the municipalities of Port Arthur and Ft. William.

The pulp interests you mention will be provided for whenever they are in a position to execute a firm contract, protected by an adequate guarantee as to the fulfillment of the same for such power as they may require. We have already advised Mr. Carrick to this effect, and the form of the contract we would require is in his hands.

Yours very truly,

(sgd) A. Beck,
CHAIRMAN

Carrick, dated Sept. 13th,1918.

(Commissioner Harris reads letter in question).

MR. POPE: That merely provided that we wouldn't provide or install two additional turbines.

Q--That is, you wou ldn't take care of any requirements that they might have. A--We had to - you might call it that - build the dam.

Q--Yes. Then further on December 11th you wrote a letter to Mr.Matthews, Chairman of the Public Utilities Commission at Port Arthur.

(COmmissioner Harris reads letter in question.)

A--The only mistake we have made there is in the use of a word. If the Government had been returned to power they would have compelled them , in some way, to use Hydro power, and go on with the work, or default. You are surely not using those arguments there as a justification that the Commission should not have gone on with the construction of that dam and those buildings.

THE CHAIRMAN: It is pretty clear from that that the Commission would have gone on anyway? A--Not at all.

THE CHAIRMAN: I notice in all your estimates you do not mention the Big Lakes Company.

SIR ADAM BECK: I have made the statement very clear that we were directed to go on with the development. The Government authorized us and directed us to prepare ample power facilities to meet the demand of this company .

Q--When did you build the dam, Sir Adam? A--We built it when we had to have power available for the Pulp Mills, and others in Port Arthur. When the contracts expired with the Company, if we hadn't done that we would have been

compelled to make a contract for another ten years for 10,000 H.P. at the Company's own rate, then we would have lost that business when the time came to build this dam.

Q--What date was the dam built? A--I don't know exactly.

MR. GABY: Between 1918 and 1920. It was completed in 1921.

SIR ADAM BECK: It was a rush job, during the war. I don't know how we ever built it for the money we did, and it is as good a job as was ever turned out anywhere.

THE CHAIRMAN: It is a nice job.

SIR ADAM BECK: Thank God there is something that meets with your approval.

THE CHAIRMAN: There are a lot of things that meet with our approval.

SIR ADAM BECK: We couldn't defy the Government and not carry out the wish of the Government in the matter. I cannot for the life of me see why the Government would not be ready to expend - and I believe they will expend more on your Commission - than would make up the whole deficit. I don't know what you are getting, but you look pretty well fed to me.

COMMISSIONER HARRIS: You must consider the Great Lakes Pulp & Paper situation. While they have got very valuabke minutes they are paying a very good price for them.

SIR ADAM BECK: We will give them power at cost, and if you waive those charges that are essential, and fix our rate at 5%, we will be glad to give them a square deal, with everything on an equitable basis.

COMMISSIONER HARRIS: I think I am perfectly safe in saying that you will be charged the legal rate all the way through.

SIR ADAM BECK: For what?

COMMISSIONER HARRIS: For everything.

SIR ADAM BECK: Is that the way you deal with all your enterprises?

COMMISSIONER HARRIS: Yes, that is the way I deal with them.

SIR ADAM BECK: I hope the Government will show better judgment. There is only one fear, gentlemen, politics.

COMMISSIONER HARRIS: There would be no politics in that. Politics would only come in if we gave them something for nothing.

SIR ADAM BECK: You are not asked to give them something for nothing. You are asked for something that you as a Province, are absolutely responsible for. I know what I would do up at Port Arthur and Fort William, I would send in independent Candidates to the House. Of course, they will all be merged when they get there.

THE CHAIRMAN: I might say, Sir Adam, that you have defined your attitude, as to the liability of the Government for that development. There is another side to that, and the position is taken that the Government were not responsible in any way for it, and we will let those parties have an opportunity to be heard, so that we will adjourn now till half past ten next Tuesday, and take that side up.

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